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**THOUSANDS OF JOBLESS WORKERS IN WEST VIRGINIA
ARE LOSING UNEMPLOYMENT BENEFITS**

PREPARED FOR

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TABLE OF CONTENTS

| | |
|--|---|
| Executive Summary | 1 |
| I. Background | 2 |
| II. Objective and Methodology | 4 |
| II. Findings..... | 4 |
| A. The Loss of Jobs in West Virginia..... | 4 |
| B. The Impact of the Expiration of Unemployment Insurance Benefits in West Virginia | 5 |
| C. Lost Economic Stimulus in West Virginia from the Failure To Extend Unemployment Benefits | 5 |

EXECUTIVE SUMMARY

The U.S. economy has been marked by over three years of job losses and stagnant job growth. Since January 2001, the economy has lost almost three million private-sector jobs. The total number of unemployed workers, the number of long-term unemployed, and the number of workers exhausting unemployment benefits are well above their levels at the end of 2000. And in recent months, hundreds of thousands of discouraged workers have dropped out of the labor market.

Traditionally, the federal-state unemployment insurance program has provided a safety net for unemployed workers during economic downturns and in the early stages of economic recoveries. In most states, benefits are paid for a maximum of 26 weeks. However, during economic recessions or periods of high unemployment, the federal government has historically extended unemployment benefits on a temporary basis to ensure that workers who are unable to find a job do not lose all benefits.

The current benefits extension, which provided 13 additional weeks of unemployment insurance for most workers, expired on December 31, 2003. Although over one million workers, a record number, have now lost benefits in the last three months, these benefits cannot be extended without new legislation. Since the Bush Administration has not pushed for an extension, and Republican leaders in Congress have actively opposed any extension, the prospects for an extension of unemployment benefits currently appear slim.

At the request of Senators Robert C. Byrd and John D. Rockefeller IV, this report analyzes the current employment situation in West Virginia and the number of workers in the state who have lost or will soon lose unemployment benefits. It finds:

- Since January 2001, West Virginia has lost 11,500 jobs. The heaviest job losses have been in the manufacturing sector, where 14% of manufacturing jobs in the state, over 10,000 jobs, have disappeared.
- In the first three months of 2004, an estimated 3,800 workers in the state have lost unemployment benefits. Analysts estimate that if unemployment benefits are not extended, 6,502 workers in the state will lose benefits in the first six months of the year.
- Extending unemployment benefits would provide a rapid economic stimulus of up to \$31 million in West Virginia.

BACKGROUND

The federal-state unemployment insurance program is designed to provide benefits to eligible workers who are unemployed. In most states, benefits are paid for a maximum of 26 weeks. However, during economic recessions or periods of high unemployment, the federal government has historically extended unemployment benefits on a temporary basis to ensure that workers who are unable to find a job do not lose all benefits. In fact, Congress has provided for an extension of unemployment insurance during every recession since 1958. After the 1991 recession, for example, benefits were extended for 27 months, from November 1991 through February 1994.¹

In March 2002, in response to the ongoing economic slowdown, Congress passed the Temporary Extended Unemployment Compensation Act of 2002 (TEUC). The legislation gave an additional 13 to 26 weeks of 100% federally financed unemployment benefits for workers in states that were hit hard by the economic downturn. This extension was designed to help working Americans who were unemployed and unable to find a job. In addition to helping unemployed workers, the benefits were intended to provide a stimulus to economies in the affected states.

Unemployment benefits under the TEUC program ended on December 28, 2002. After allowing the program to expire, Congress reversed itself in January 2003 and extended unemployment benefits.² The legislation provided an additional 13 weeks of unemployment insurance for most workers.³ Unemployment benefits were extended again in May 2003, but they expired in the last week of December 2003.⁴

Although the national unemployment rate has dropped from the June 2003 peak of 6.4%, the employment situation has shown little overall improvement. Employment conditions are presently worse than they were in March 2002, when unemployment benefits were initially extended. Relative to March 2002, the unemployment rate has remained the same, the total number of jobs has declined

¹ Congressional Research Service, *Temporary Programs to Extend Unemployment Compensation* (Jan. 24, 2003).

² Public Law 108-1.

³ Workers in several “high unemployment” states received extended benefits for an additional period of time in 2004. These states were Alaska, Michigan, Oregon, and Washington. Department of Labor, *TEUC Trigger Notice* (May 11, 2003) (online at www.workforcesecurity.doleta.gov/unemploy/teuc/teuc69.html).

⁴ Public Law 108-26.

by more than 400,000,⁵ and the number of long-term unemployed workers has increased by 46%.⁶ While the unemployment rate remained at 5.6% in February 2004, the economy created only 21,000 new jobs and the private sector actually lost jobs.⁷

Despite the lack of improvement in employment, Congress allowed the TEUC program to expire. Republican leaders have opposed an extension of the program, and the Bush Administration has not pushed for an extension.⁸ On March 11, 2004, Federal Reserve Chairman Alan Greenspan testified before a House committee that he believed Congress should consider another extension of benefits.⁹ Still, there has been no indication from Republican leaders in Congress that they will pass legislation extending benefits.

A continued failure by Congress to pass legislation to help unemployed Americans would terminate the benefits of millions of unemployed workers. In the first three months of 2004, more than one million unemployed workers lost benefits.¹⁰ This represents a record number of workers losing benefits during any previous comparable period.¹¹ And by July 1, 2004, almost one million additional workers will have lost benefits if Congress does not act to extend the TEUC program.¹²

⁵ There were 109,034,000 private sector jobs in March 2002 compared to 108,594,000 in February 2004. Bureau of Labor Statistics, *Employment and Unemployment Data* (2004).

⁶ There were 1.3 million long-term (more than 27 weeks) unemployed workers in March 2002 compared to 1.9 million in February 2004. *Id.*

⁷ The 21,000 new jobs created in February 2004 were all state and local government positions. *Id.*

⁸ *DeLay Says House Will Not Take up Unemployment Benefits*, Congress Daily (Dec. 8, 2003); *Snow Unsure of Benefit Extension*, Reuters (Dec. 5, 2003). *House OK's Amendment to Extend Unemployment Benefits*, Congress Daily (Feb. 5, 2003).

⁹ Testimony of Federal Reserve Chairman Alan Greenspan, House Committee on Education and the Workforce, *Hearing on "The Changing Nature of the Economy: The Critical Roles of Education and Innovation in Creating Jobs & Opportunity in a Knowledge Economy"* (Mar. 11, 2004).

¹⁰ Center on Budget and Policy Priorities, *More than One Million of the Unemployed Have Now Been Denied Aid Due to End of Federal Program* (Mar. 25, 2004).

¹¹ *Id.*

¹² Center on Budget and Policy Priorities, *Unmet Need Hits Record Level for the Unemployed* (Feb. 2, 2004).

OBJECTIVE AND METHODOLOGY

Senators Byrd and Rockefeller requested this analysis in order to estimate the number of jobs lost and the impact of the termination of federal unemployment benefits in West Virginia. The analysis is based upon data collected by the Bureau of Labor Statistics (BLS) on the number of unemployed workers, and statewide estimates by the Department of Labor and the Center on Budget and Policy Priorities of the number of unemployed workers who have lost or will lose benefits. The analysis also estimates the size of the economic stimulus that would be produced in West Virginia if benefits were to be extended.

FINDINGS

The Loss of Jobs in West Virginia

Data from the Bureau of Labor Statistics indicates that the employment situation in West Virginia has declined considerably over the last three years. In January 2004, the unemployment rate was 6.1%.¹³ Between January 2001 and January 2004, the state economy has lost 11,500 jobs.¹⁴ The hardest hit sector of the statewide economy has been the manufacturing sector, which has lost 14% of manufacturing jobs in the state since January 2001.¹⁵

Statewide, there are 20,502 individuals currently receiving unemployment insurance benefits in West Virginia.¹⁶ The average unemployment insurance benefit in West Virginia is \$215 per week.¹⁷

¹³ Bureau of Labor Statistics, *State and Local Employment Data* (Mar. 2004). This represents a non-seasonally adjusted figure. The seasonally adjusted unemployment rate was 5.2%, which is also above the seasonally adjusted unemployment rate for January 2001.

¹⁴ Bureau of Labor Statistics data indicate that the number of non-farm jobs in West Virginia declined from 735,500 in January 2001 to 724,000 January 2004. *Id.*

¹⁵ The number of manufacturing jobs has declined from 73,900 in January 2001 to 63,700 in January 2004. *Id.*

¹⁶ Department of Labor, *Unemployment Insurance Weekly Claims Report* (Feb. 28, 2004) (online at <http://atlas.doleta.gov/unemploy/page8/2004/022804.html>).

¹⁷ *Id.*

The Impact of the Expiration of Unemployment Insurance Benefits in West Virginia

The date on which unemployed workers lose their unemployment benefits depends on how long the workers have been out of work.

In the first three months of 2004, more than one million unemployed workers in the United States exhausted their unemployment benefits. Using Department of Labor data, the Center on Budget and Policy Priorities estimates that 3,800 workers in West Virginia lost unemployment insurance from late December through the end of March 2004.¹⁸

During the first six months of 2004, an average of 250 West Virginia workers will lose unemployment benefits each week. In total, an estimated 6,502 workers in the state will lose unemployment benefits between January 1 and June 30, 2004.¹⁹

Lost Economic Stimulus in West Virginia from the Failure To Extend Unemployment Benefits

Because extended unemployment benefits are paid to workers who are in immediate need, these benefits are spent rapidly and provide a significant economic stimulus for communities. A February 2003 analysis estimated that every dollar paid in extended unemployment benefits boosts economic output by \$1.73.²⁰

If Congress extends the TEUC program to provide unemployment benefits for 13 additional weeks, the 6,502 workers who either have already lost or will soon lose benefits will instead receive an additional 13 weeks of benefits. Overall, these workers would receive up to \$18 million in unemployment benefits. This would result in a stimulus to the statewide economy of up to \$31 million.²¹

¹⁸ Center on Budget and Policy Priorities, *supra* note 10.

¹⁹ Center on Budget and Policy Priorities, *supra* note 12. Data from the first three months of the years indicates that this estimate may underestimate the total number of workers in the state who will lose benefits. For example, in February 2004 the Center on Budget and Policy Priorities estimated that 760,000 workers would lose benefits in the first two months of the year. Recent data from the Bureau of Labor Statistics indicates that the estimate was 3% too low. *See* Center on Budget and Policy Priorities, *supra* note 10.

²⁰ Economy.com, *Fiscal Stimulus*, Regional Economic Review, 14 (Feb. 2003). These funds are spent rapidly and cycle throughout the economy, causing a ripple effect that increases dollar-for-dollar GDP growth by more than the original expenditure.

²¹ This estimate assumes that each of the 6,502 workers receives the average statewide benefit (\$215) for 13 weeks.